

WATER/ABJ/HJL:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water BranchRESOLUTION NO. W-4439
December 4, 2003**R E S O L U T I O N**

**(RES. W-4439), CALIFORNIA WATER SERVICE COMPANY (CWSC),
LOS ALTOS-SUBURBAN DISTRICT. ORDER AUTHORIZING AN
OFFSET RATE INCREASE PRODUCING ADDITIONAL ANNUAL
REVENUES OF \$753,700 OR 5.8% FOR INCREASES IN THE COST OF
PURCHASED WATER AND PUMP TAX.**

SUMMARY

This Resolution authorizes CWSC to increase revenues in its Los Altos-Suburban District by \$753,700 or 5.8% to offset a purchased water rate increase by the Santa Clara Valley Water District (SCVWD). By Advice Letter No. 1554, filed September 3, 2003, CWSC seeks revision of tariff schedule LS-1, General Metered Service, to provide for an increase in revenues. This increase is a result of increased costs for purchased water and pump taxes that became effective July 1, 2003. The offset rate increase will not result in a rate of return greater than last authorized for CWSC.

BACKGROUND

CWSC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset: (1) a \$510,300 increase in purchased water costs, (2) a \$232,900 increase in pump tax, (3) \$10,100 increase in local franchise tax, and (4) \$400 in related increases in uncollectibles. CWSC filed Application No. 01-09-068 for a general rate increase for its Los Altos-Suburban District on September 10, 2001. At that time, the rate for purchased water and the pump tax assessed by SCVWD were \$410 and \$320 per acre-foot (AF), respectively (One acre-foot equals four-hundred and thirty-five point six cubic feet). Both rates became effective on July 1, 2001. The Decision (D.) in the matter, D.03-09-021, dated September 4, 2003, authorized the \$410 per AF for purchased water and \$320 per AF for pump tax. However, the decision did not incorporate in general rates the higher costs for purchased water and pump tax imposed on CWSC by SCVWD (and being requested in Advice Letter No. 1554) that became effective on July 1, 2003.

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CWSC's Los Altos-Suburban District serves approximately 18,000 metered customers in the city of Los Altos and vicinity in the County of Santa Clara. The present rates for CWSC became effective September 9, 2003, by D.03-09-021.

DISCUSSION

The offset increases requested herein are for the purpose of recovering in rates, on a dollar-for-dollar basis, changes in expenses that have occurred since the present rates became effective. As shown in the workpapers to Advice Letter No. 1554, the authorized rate of return for CWSC Los Altos-Suburban district for 2002 was 8.97%. The recorded rate of return for 2002 for this district was 6.11% and the recorded return adjusted for offset, memorandum account entries, and unusual items was 7.63%. CWSC's last rate case D.03-09-061, dated September 4, 2003, authorized a rate of return of 8.92% therefore, the utility is not overearning. As required by D.03-06-072, these offset revenues will be excluded from earnings for the purpose of the earnings test calculation that CWSC will file March 31, 2004.

The reason for the above changes is as follows: SCVWD increased its wholesale purchased water rates effective July 1, 2003, from \$420/AF to \$460/AF. The rate adopted in the most recent rate case, D.03-09-021, was \$410/AF as pointed out earlier, so this new expense increase will make the total wholesale rate differential \$50/AF. The impact of the SCVWD increase results in a \$510,300 annual increase in purchased water costs for CWSC. Additionally, SCVWD increased its groundwater rates (pump tax) from \$340/AF to \$375/AF. The pump tax rate adopted in the most recent rate case was \$330/AF so this new expense increase will make the total wholesale rate differential \$45/AF. The impact of the SCVWD increase on pump tax results in a \$232,900 annual increase in pump taxes for CWSC.

The increases in SCVWD's purchased water and pump tax costs are directly related to water consumption and therefore the associated rate increase for CWSC shall be applied to the quantity rates. In order to recover the higher costs, CWSC will increase its quantity charge by \$0.1243/Ccf (One Ccf is equal to one hundred cubic feet). The monthly bill (ignoring surcharges) for an average residential customer utilizing 1,000 cubic feet of water per month would increase by \$2.90 from \$48.82 to \$51.72 or 5.9%.

Service by CWSC is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action. The decision for the most recent General Rate Case decision for this district was decided on September 4, 2003.

NOTICE AND PROTESTS

CWSC has given public notice of the request for an increase by publishing in a local newspaper of wide circulation in the Los Altos-Suburban District as evidenced by a Proof of Publication provided to the Water Branch by the utility. No protest letters were received concerning the proposed offset increase.

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FINDINGS

1. Effective July 1, 2003, SCVWD increased its wholesale purchased water rates from \$420/AF to \$460/AF, and the pump tax rate from \$330/AF to \$375/AF.
2. SCVWD's increase in rates will result in annual increases of \$510,300 in purchased water costs, \$232,900 in pump taxes, \$400 in uncollectibles, and \$10,100 in franchise tax for CWSC.
3. CWSC requests for authority to increase its quantity charge by \$0.1243/Ccf to offset the \$753,700 in increased annual costs for purchased water, pump tax and related increases to uncollectibles and franchise tax.
4. The Commission finds, after investigation by the Water Division, that the changes hereby requested by the utility are justified and, if authorized, the resulting rates will be just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. California Water Service Company is authorized, five days after the effective date herein, to make effective revised Schedule No. LS-1, General Metered Service, attached to Advice Letter No. 1554, and to cancel the corresponding presently effective rate schedule.
2. California Water Service Company is directed to maintain its balancing account as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on December 4, 2003; the following Commissioners approved it:

WILLIAM AHERN
Executive Director